

Tourism Industry Monitor ♦ Annual 2005

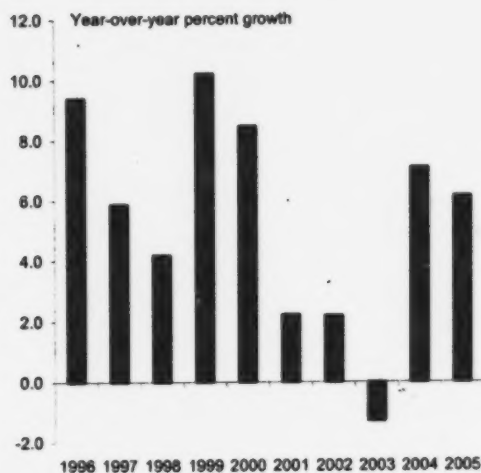
2005 in Review: BC's Tourism Sector Continued to Grow

After rebounding in 2004, BC's tourism sector continued to expand in 2005 with most indicators showing solid growth.

Revenues posted strong growth in 2005

Room revenues at hotels, motels and other establishments in British Columbia increased 6.1% to reach close to \$1.7 billion in 2005, the highest level since 1995. The persistent growth highlights the strength of BC's tourism economy.

Strong growth in room revenues in 2005



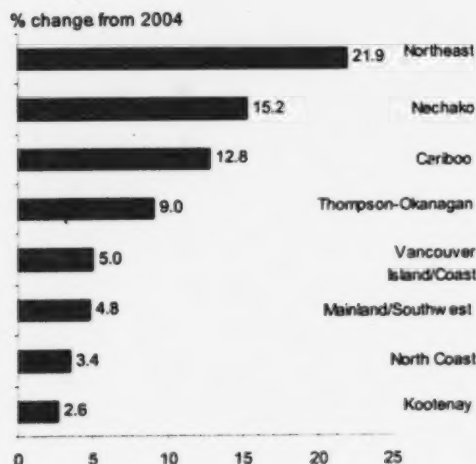
Data Source: BC Stats

Northeast continued to be the top performer in 2005

All regions of the province experienced increases in revenues in 2005. For the third consecutive year, Northeast outperformed the rest of BC, posting a growth rate of 21.9%. This follows a gain of 22.1% in 2003

and 12.2% in 2004. Nechako (+15.2%) regained the ground lost in 2004 (-1.3%). Cariboo (+12.8%) also posted double-digit revenue growth. The two most populated regions, Mainland/Southwest (+4.8%) and Vancouver Island/Coast (+5.0%) made significant gains in room revenues. However, these were below the rates at which revenues increased in the previous year. Thompson-Okanagan (+9.0%) was also a major engine of revenue growth, as were Kootenay (+2.6%) and North Coast (+3.4%).

Northeast outperformed the rest of BC in 2005



Data Source: BC Stats

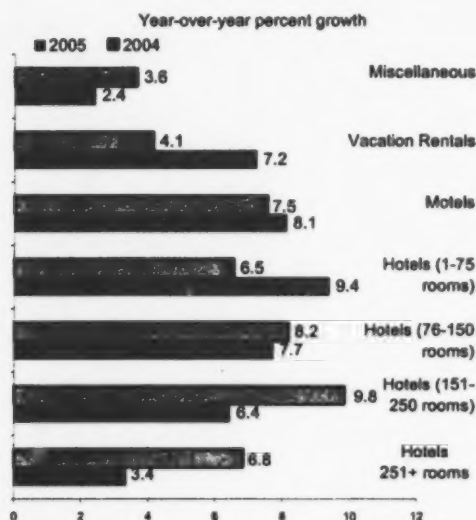
Revenues up at all types of establishments

In 2005, motels (+8.1%) outperformed vacation rentals (+7.2%), hotels (+6.0%) and other types of accommodation properties (including bed and breakfasts, fishing lodges and other types of short-term ac-

commodation). This is different from 2004, when revenues at hotels (+7.6%) surpassed those of motels (+7.5%) and vacation rentals (+4.1%). In 2005, motels posted strong and consistent increases.

Small hotels (1-75 rooms, +9.4%) were the top performers in 2005. Hotels with 76-150 rooms posted the second strongest gain (+7.7%), followed by large hotels (151-250 rooms, +6.4%). Very large hotels (251+ rooms) did not grow as fast as in 2004, showing a modest 3.4% increase in revenues.

Small hotels posted strongest gain



Data Source: BC Stats

After rising in 2004, visitor entries down in 2005

A long-run downward trend in entries resumed in 2005, as the number of visitors declined for the fourth time since the turn of the century. After rebounding (+1.3%) in 2004, the number of travellers entering Canada via BC border crossings dropped 2.7% to about 7.2 million in 2005, the lowest number of visitor entries to BC since 1996. Although entries trended up in the first two

quarters of 2005, they slumped in the second half of the year.

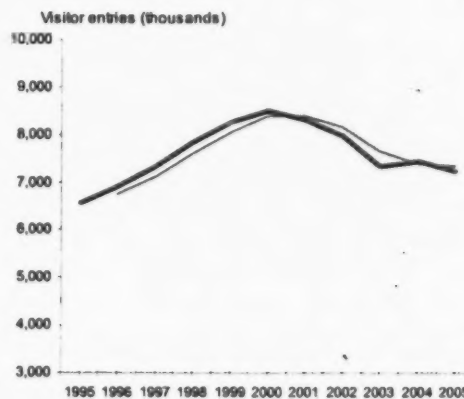
Visitor entries slump in second half of 2005



Data Source: Statistics Canada

Entries had increased in 2004, but that was partly due to a recovery (+1.3%) from a SARS-induced slump (-8.0%) in 2003.

Entries trending down



Data Source: Statistics Canada

US entries continued to fall for the fifth consecutive year since 2000

The US is a major tourism market, accounting for more than 80% of total visitor entries through the province. Visits from the US have been declining since 2001, and continued to slump (-4.8%) in 2005 with same-day entries dropping 7.2% and overnight travel falling 3.1%.

The downturn in travel from the US since 2001 has primarily been due to fewer same-day trips. Over the last five years, the number of US same-day visits to BC has been declining. Tightened security, which has resulted in longer line-ups and delays at border crossings since September 2001, may have made same-day travel less appealing. In addition, a stronger Canadian currency has increased the cost of travel to BC from the US, which may be keeping some American visitors away from the province. Last year, the number of same-day trips (2.3 million) was at its lowest level since 1995.

In 2005, overnight travel from the US dropped to 3.5 million visitors, reaching the lowest level since 1999. Overnight travel from the States has fallen off at a slower pace than same-day visits.

The events of 9/11 appear to have had a long-lasting and negative effect on same-day travel to BC from the US. Prior to 2001, the number of same-day trips was only slightly lower than the number of overnight visitors. Last year, there were 3 overnight visitors from the US for every 2 travellers taking same-day trips. The gap between overnight and same-day entries has become larger since the end of 2001, reaching over 1.1 million in 2005.

A growing gap between the US same-day and overnight travel



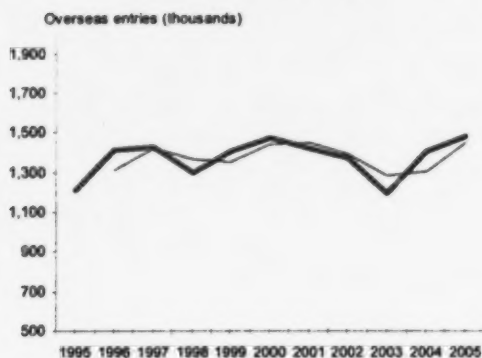
Data Source: Statistics Canada

Overseas travel to BC continued climb in 2005

Travel to BC from overseas markets (+4.6%) continued to climb in 2005, building on a substantial increase recorded in 2004 (+17.6%). The strong growth in 2004 was a result of recovery in Asian entries, which had plunged in 2003 due to the SARS scare. Entries started to trend up in December 2004 and continued to climb through the first two quarters of 2005. In mid-2005, entries from overseas weakened, but regained some of the lost ground at the end of the year.

As the major overseas market for BC, Asia accounts for about 50% of total overseas entries. The number of visits from Asia rose 1.1% in 2005 after increasing substantially in 2004 (+23.9%) as panic over SARS subsided. Entries from South Korea, the second largest Asian market, were up (+3.4%), but residents of Japan (-1.0%), Hong Kong (-2.2%) and Taiwan (-7.5%) paid fewer visits to BC.

Overseas visits continued to increase in 2005



Data Source: Statistics Canada

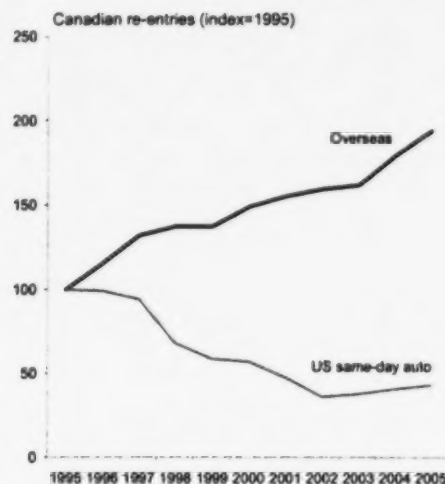
European visits continued to rise (+7.8%) to 494,000 in 2005, the highest level since 2001 as entries from the UK increased (+7.8%) for a fourth consecutive year. BC also welcomed 157,000 visitors from Oceania (Australia, New Zealand, and other parts of South Pacific). This was 8.9% more than in 2004, and represents the third year of solid gains in entries from this region.

More Canadians returning home from overseas travels

The number of Canadians re-entering the country via BC advanced (+6.5%) in 2005 for the third year in a row. Travel to overseas destinations has had a very positive trend over the last decade, with the exception of 1999 (-0.1%). Overseas returns almost doubled between 1995 and 2005 with the number of entries rising 8.7% to over 1.1 million travellers in 2005.

Same-day car trips from Canada to the US had declined during most of the last decade, but began to grow steadily in 2003. In 2005, same-day cross-border excursions rose 5.6%, as Canadian tourists and shoppers continued to take advantage of a stronger dollar.

Canadian re-entries from overseas nearly doubled between 1995 and 2005



Data Source: Statistics Canada

Other Annual Indicators

In the hotel industry, the occupancy rate increased by .4.2 percentage points to nearly 65% in 2005, while average room prices inched up 0.7%, to \$116.6. The peak occupancy occurred in November (about 70%, seasonally adjusted).

Not surprisingly, considering the upturn in visitor entries in 2004, traffic statistics continued to increase in 2005. Air passenger traffic at Vancouver airport rose to over 16.4 million travellers, 4.4% higher than in 2004, with higher volumes on all types of flights. US trans-border (+3.6%), other international travel (+5.1%) and domestic traffic (+4.5%) all increased. Victoria airport welcomed 1.3 million travellers, a 5.4% increase from 2004.

BC Ferries carried fewer passengers (-0.7%), but vehicle volumes on board inched up (+0.1%). On the Coquihalla Highway, 1.9%

more passenger vehicles passed through the tollbooths last year.

Employment in key tourism-related industries increased (+1.7%) in 2005, with job growth seen in all sectors. Air transport (+2.1%), arts, entertainment and recreation (+4.5%) and accommodation (+3.9%) industries all hired more workers. Employment in the food and beverage industry (+0.3%) also inched up.

In BC, restaurant and tavern receipts increased 2.8% to over \$6.1 million in 2005 with a 4.2% increase in sales at food services establishments, offsetting an 8.7% decline in receipts at drinking places.

The overall indication is that 2005 was a good year, with a continuation of the upward trend that began in 2004.

Estimates for tourism GDP and total direct tourism employment in 2005 were not ready at the time of publication. They will be updated as soon as they become available.

Tourism Indicators

Annual Series, 2000-2005

	2000	2001	2002	2003	2004	2005
Tourism Room Revenue (\$ thousands)						
BC Total	1,442,085	1,473,983	1,506,188	1,486,681	1,592,176	1,690,093

Source: BC STATS

Gross Domestic Product (\$ millions)*						
CURRENT DOLLARS						
BC Total	120,533	122,195	125,926	129,853	157,241	n/a
Tourism	5,254	5,441	5,577	5,542	5,811	n/a
CONSTANT DOLLARS (1997 dollars)						
BC Total	114,229	115,647	118,240	121,203	139,205	n/a
Tourism	4,876	4,909	5,018	5,056	5,306	n/a

Source: BC STATS

* Estimates for tourism GDP data are based on information published in the spring of 2005.

Tourism Revenue & Volume Estimates						
Revenue (\$ millions)	9,449	9,242	9,336	8,953	9,473	9,786
Visitor Volume (thousands)	22,491	22,381	22,571	21,870	22,450	22,886

Source: Tourism BC

Visitor Entries to Canada via British Columbia (thousands of persons)						
USA -- Total	7,006	6,895	6,596	6,137	6,039	5,751
Overnight	3,599	3,637	3,788	3,557	3,562	3,451
OVERSEAS -- Total	1,476	1,418	1,375	1,198	1,409	1,474
EUROPE	498	466	412	410	458	494
Germany	79	76	76	76	86	85
United Kingdom	204	204	205	206	222	240
ASIA	759	732	764	578	716	724
Hong Kong	89	89	90	68	74	73
Japan	279	257	277	185	246	243
Taiwan	99	98	97	63	96	89
Australia	97	98	101	105	121	131
CANADA -- Total (returning to Canada)	9,435	8,329	7,197	7,285	7,847	8,356
From U.S.A. -- Total	8,569	7,426	6,270	6,343	6,806	7,225
From Overseas	866	903	928	942	1,040	1,131

Source: Statistics Canada, International Travel (66-001)

Transportation (thousands)						
Vancouver Airport -- arrivals & departures	16,033	15,477	14,877	14,322	15,726	16,421
Victoria Airport -- arrivals & departures	1,139	1,158	1,102	1,183	1,250	1,318
BC Ferries -- passengers	21,280	21,309	21,540	21,348	21,955	21,791
Coquihalla Highway -- passenger vehicles	2,400	2,461	2,530	2,480	2,586	2,635

Sources: Vancouver Airport, Victoria Airport, BC Ferries, Ministry of Transportation & Highways

Hotel Occupancy & Room Rates (annual average)						
Occupancy (%)	59.98	59.31	58.91	58.31	61.28	65.53
Room Rate (\$)	114.03	116.13	117.00	113.72	115.70	116.56

Source: Pannell Kerr Forster (Vancouver)

Tourism Indicators

Annual growth rates, 2000-2005

% change from previous year	2000	2001	2002	2003	2004	2005
Tourism Room Revenue						
BC Total	8.5	2.2	2.2	-1.3	7.1	6.1

Source: BC STATS

Gross Domestic Product						
CURRENT DOLLARS						
BC Total	8.8	1.4	3.1	3.1	21.1	n/a
Tourism	2.7	3.6	2.5	-0.6	4.9	n/a
CONSTANT DOLLARS						
BC Total	4.6	1.2	2.2	2.5	14.9	n/a
Tourism	2.5	0.7	2.2	0.8	4.9	n/a

Source: BC STATS

* Estimates for tourism GDP data are based on information published in the spring of 2005.

Tourism Revenue & Volume Estimates						
Revenue	4.1	-2.2	1.0	-4.1	5.8	3.3
Visitor Volume	2.0	-0.5	0.8	-3.1	2.7	1.9

Source: Tourism BC

Visitor Entries to Canada via British Columbia						
USA -- Total	2.1	-1.6	-4.3	-7.0	-1.6	-4.8
Overnight	3.1	1.1	4.2	-6.1	0.1	-3.1
OVERSEAS -- Total	4.8	-3.9	-3.0	-12.9	17.6	4.6
EUROPE	2.8	-6.4	-11.7	-0.4	11.7	7.8
Germany	-3.8	-3.3	0.1	0.6	13.0	-1.3
United Kingdom	0.2	0.1	0.2	0.6	8.1	7.8
ASIA	6.0	-3.6	4.4	-24.4	23.9	1.1
Hong Kong	1.9	-0.5	1.8	-24.8	9.3	-2.2
Japan	-1.7	-7.9	7.6	-33.2	33.0	-1.0
Taiwan	3.3	-1.0	-0.3	-35.0	52.5	-7.5
Australia	1.6	1.7	3.0	4.0	14.6	8.5
CANADA -- Total (returning to Canada)	-1.6	-11.7	-13.6	1.2	7.7	6.5
From U.S.A. -- Total	-2.5	-13.3	-15.6	1.2	7.3	6.1
From Overseas	8.5	4.2	2.7	1.5	10.4	8.7

Source: Statistics Canada, International Travel (66-001)

Transportation						
Vancouver Airport -- arrivals & departures	1.4	-3.5	-3.9	-3.7	9.8	4.4
Victoria Airport -- arrivals & departures	-4.4	1.7	-4.9	7.3	5.7	5.4
BC Ferries -- passengers	-0.4	0.1	1.1	-0.9	2.8	-0.7
Coquitlam Highway -- passenger vehicles	0.5	2.5	2.8	-2.0	4.3	1.9

Sources: Vancouver Airport, Victoria Airport, BC Ferries, Ministry of Transportation & Highways

Hotel Occupancy & Room Rates						
Occupancy (percentage point change)	-1.7	-0.7	-0.4	-0.6	3.0	4.2
Room Rate (% change)	1.8	1.8	0.8	-2.8	1.7	0.7

Source: Pannell Kerr Forster (Vancouver)

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Source: BC STATS

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OVERSEAS -- Total	4.8	-3.9	-3.0	-12.9	17.6	4.6
EUROPE	2.8	-6.4	-11.7	-0.4	11.7	7.8
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ASIA	6.0	-3.6	4.4	-24.4	23.9	1.1
Hong Kong	-1.9	-0.5	1.8	-24.8	9.3	-2.2
Japan	-1.7	-7.9	7.6	-33.2	33.0	-1.0
Taiwan	3.3	-1.0	-0.3	-35.0	52.5	-7.5
Australia	1.6	1.7	3.0	4.0	14.6	8.5
CANADA -- Total (returning to Canada)	-1.6	-11.7	-13.6	1.2	7.7	6.5
From U.S.A. -- Total	-2.5	-13.3	-15.6	1.2	7.3	6.1
From Overseas	8.5	4.2	2.7	1.5	10.4	8.7

Source: Statistics Canada, International Travel (66-001)

Transportation						
Vancouver Airport -- arrivals & departures	1.4	-3.5	-3.9	-3.7	9.8	4.4
Victoria Airport -- arrivals & departures	-4.4	1.7	-4.9	7.3	5.7	5.4
BC Ferries -- passengers	-0.4	0.1	1.1	-0.9	2.8	-0.7
Coquihalla Highway -- passenger vehicles	0.5	2.5	2.8	-2.0	4.3	1.9

Sources: Vancouver Airport, Victoria Airport, BC Ferries, Ministry of Transportation & Highways

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Occupancy (percentage point change)	-1.7	-0.7	-0.4	-0.6	3.0	4.2
Room Rate (% change)	1.8	1.8	0.8	-2.8	1.7	0.7

Source: Pannell Kerr Forster (Vancouver)

